

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GREEN RIVER ELECTRIC CORPORATION	)	
NOTICE OF INCREASE IN RATES FOR	)	CASE NO. 10275
RETAIL ELECTRIC SERVICE	)	

O R D E R

IT IS ORDERED that Green River Electric Corporation shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. The information requested herein is due no later than August 29, 1988. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 2

1. With reference to the labor adjustment, Exhibit 6, page 9, provide the following information:

- a. The regular hours actually worked by each employee during the test year.
- b. The overtime hours actually worked by each employee during the test year.

c. The part-time employees and part-time hours actually worked by each part-time employee during the test year.

d. The test year-end wage rate for each employee and date of last increase.

e. A calculation of the percent of increase granted during the test year for each employee.

f. Provide documentary support for the pro forma labor cost reflected in column d.

2. With reference to the interest expense adjustment, Exhibit 6, page 11, provide the following information:

a. Correlate the principal balances of the Louisville Bank for Cooperatives ("LBC") Notes on lines 4 through 9 with the principal balances in column b, on page 9 of the 1987 Annual Report. Provide a thorough explanation of any differences.

b. For each LBC Note, provide the effective interest rate for each month of the test year and for each month from January 1988 through June 1988.

c. For each LBC Note, provide a thorough discussion of Green River's participation in various LBC loan programs. Include a detailed explanation of any conversion opportunities offered Green River under the LBC loan program and Green River's decision regarding conversion opportunities.

d. Provide a thorough detailed explanation of the reason why Green River included interest on debt drawn down subsequent to the test year-end in this adjustment.

3. With reference to the depreciation adjustment, Exhibit 6, page 12, provide the following information:

a. Identify and explain the reason for any major plant additions and retirements during the test year.

b. Indicate any changes in depreciation rates during the test year.

c. Explain how the capitalized and expensed ratios were determined.

d. Provide these ratios for the past 5 calendar years.

4. With reference to the property tax adjustment, Exhibit 6, page 13, provide the following information:

a. The workpapers supporting the calculated assessment for each category of property in column b.

b. Workpapers supporting the calculation of the 1987 average tax rate of .004466.

c. Workpapers supporting the \$21,918,906 total county assessment. Include copies of the Form K filed with the Kentucky Revenue Cabinet and any notice of assessment received.

5. With reference to the property and business liability insurance adjustment, Exhibit 6, page 14, provide the following information:

a. Documentary support for the policy premiums on lines 1 through 3.

b. Documentary support for the previous policy premiums.

c. A thorough discussion of any bids received or requested by Green River for insurance coverage.

d. Explain any changes in insurance coverages between premium dates.

6. With reference to the Workers' Compensation adjustment, Exhibit 6, page 15, provide the following information:

a. Explain the basis for the determination of the reduction for overtime not subject to Workers' Compensation. Include a discussion of how the .3334 factor was determined.

b. An explanation and description of labor subject to compensation as noted in footnote 1 of the adjustment.

c. An explanation and documentary support for the columns labeled Code, % of Total, and Rate.

d. An explanation for the test-year expense factor of 67.27 percent. Include a discussion of why this factor differs from the labor expense factor reflected in the labor adjustment.

e. Provide a copy of the policy referenced in footnote 3.

7. With reference to the defined contribution pension plan adjustment, Exhibit 6, page 16, provide the following information:

a. Documentary support for the employer mandatory contribution of six percent.

b. Workpapers supporting the calculation of the test-year employee savings.

c. Workpapers supporting the calculation of the employer matching contribution of \$73,750.

8. With reference to the defined benefit pension plan adjustment, Exhibit 6, page 17, provide the following information:

a. A copy of the actuarial report for the year ended December 31, 1987.

b. An explanation of why the test year amount not capitalized of 73.89 percent differs from the 74.698 percent used in the defined contribution pension plan adjustment.

c. An explanation of the effects of FAS No. 87 upon Green River's pension costs.

9. With reference to the Rural Kentuckian magazine adjustment, Exhibit 6, page 18, provide the following information:

a. An explanation of why the December 1987 billing was used as the basis for this adjustment.

b. Provide the Kentucky Association of Electric Cooperative billings for September 1987 through June 1988.

c. Explain why the December billing of \$4,900 used in this adjustment differs from the \$3,817.07 December billing as shown in response to the Commission's Information Request No. 1, Item No. 2, page 2.

d. A thorough detailed discussion of Green River's decision to subscribe to the Rural Kentuckian. Include the services and benefits Green River expects to result from this decision.

10. With reference to the postage adjustment, Exhibit 6, page 19, provide the following information:

a. An explanation of the reason for using the December billings as the basis for this adjustment.

b. An explanation and documentary support for the determination of the 24,565 December billings.

c. An explanation and documentary support for the derivation of the 293,398 test year billings.

d. The number of billings for each month of the test year.

e. The number of billings from January 1988 through June 1988.

11. With reference to the uniform adjustment, Exhibit 6, page 20, provide the following information:

a. An explanation of the reason for institution of the mandatory uniform policy.

b. A thorough discussion of the process used to select the uniform supplier. Include a discussion of bids solicited and alternatives investigated by Green River.

12. With reference to the other deductions adjustment, Exhibit 6, page 21, provide the following information:

a. A schedule itemizing the individual items included in this adjustment.

b. A correlation of the schedule requested in Item No. 12(a) with the responses to the Commission's Information Request No. 1.

13. With reference to Green River's response to the Commission's Information Request No. 1, Item No. 2, provide the following information:

a. With reference to page 3, provide a thorough explanation of the services and benefits received in connection with the dues paid to the NRECA and the KAEC.

b. With reference to page 4, provide the annual meeting expenses for the past 5 calendar years.

c. With reference to page 5, provide a thorough explanation of the reason for each charge to Account No. 930.240.

d. With reference to pages 8 through 26, provide the following:

(1) The fee for attending each board meeting or other meeting on cooperative business.

(2) A thorough discussion of Green River's policies regarding the payment of meeting fees, mileage, health insurance, life insurance, and other expenses of directors.

(3) Explain the reason for the prorated life and health insurance payments for the directors.

(4) Explain why the board fee for directors, Hagerman and Ireland, are \$100 rather than the \$200 shown for the other directors.

(5) Does the test year include any expenses of the director's spouses for attendance at any meetings or other functions?

14. With reference to Green River's response to the Commission's Information Request No. 1, Item No. 4, provide the following information:

a. An explanation for the increase in temporary cash investments between 1986 and 1987.

b. An explanation for the increase in accounts receivable between 1986 and 1987.

c. An explanation for the increase in accounts payable between 1986 and 1987.

15. With reference to Green River's response to the Commission's Information Request No. 1, Item No. 6, the Borrower Statistical Profile, provide a description of the steps taken to address each item flagged low or high.

16. With reference to Green River's response to the Commission's Information Request No. 1, Item No. 13, provide an explanation of the change in plant balances between 1986 and 1987 for the following accounts:

<u>Account</u>	<u>Description</u>	<u>Difference</u>
373	Street and Signal Systems	\$ 19,383
391.1	Office Terminals and IBM Equipment	30,113
392.1	Right-of-Way Transportation Equipment	22,749
393	Stores Equipment	14,011
394	Shop and Garage Equipment	20,683
394.2	Right-of-Way Tools and Working Equipment	<11,043>
395	Laboratory Equipment	24,376
396	Power Operated Equipment	<30,974>
396.3	Track Vehicles	138,902

17. With reference to Green River's response to the Commission's Information Request No. 1, Item No. 16, provide a thorough, detailed explanation for the change in the following accounts:

<u>Account</u>	<u>Description</u>	<u>Difference</u>
555.400	Purchased Power NSA	\$ 14,903,834
582.000	Distribution Exp-Ops-Station Exp	5,381
582.200	Distribution Exp-Ops-Microwave System	3,823
590.000	Distribution Exp-Maint-Supervision-Eng	9,056
592.100	Distribution Exp-Maint-Supervisory Control	<14,111>
593.200	Distribution Exp-Maint-Storm Damage	146,081
595.000	Distribution Exp-Maint-Line Transformers	<24,701>
912.000	Ground Water Heat Pump Project	20,831
913.000	Member and Public Relation Expenses	8,344
920.000	Adm-General Exp-Ops-Executive Salary	45,663
923.000	Adm-General Exp-Outside Services Hired	<14,684>
924.000	Adm-General Exp-Ops-Property Insurance	6,612
926.000	Adm-General Exp-Ops-Pension Employ. Benefit	<100,922>
928.000	Adm-General Exp-Ops-Regulatory Commission Exp	11,033
930.200	Miscellaneous General Expenses	11,464
930.230	Miscellaneous General Exp-Annual Mtg & Cap Cr	7,887



18. Provide a thorough detailed discussion regarding the satellite-delivered programming service referenced in the annual meeting notice included in Item No. 15 of Green River's response to the Commission's Information Request No. 1.

19. With reference to Green River's Adjusted Income Statement, Exhibit 6, page 1, provide a detailed discussion and description of the sources of the Other Revenue, Other Interest, and Non-Operating Margins included in column b.

20. Provide an explanation of Green River's policy on rotation of patronage capital. Include the following areas in the discussion:

- a. Use of an equity management plan in determining revenue requirements in this case.
- b. Payouts to deceased patrons.
- c. Last date of general retirements.
- d. Prospective date of future general retirements.
- e. The reason special and general retirements have not been made in recent years.

21. How did you arrive at the \$0.04 energy adder for Street and Consumer Lighting rate shown on Exhibit 7, Page 2?

22. On Exhibit 4, Page 3, the proposed energy charge per KWH consumed for Rose Brothers Trucking Company is 4.45513 cents. Should this rate be 4.5513 cents after adding the 0.0521 cents energy adder to the current rate of 4.4992 cents?

23. On Exhibit 4, Page 2, how is the additional \$4.45 per month per pole for governmental authorities with underground service on aluminum or fiberglass poles determined?

24. In cost-of-service studies, two commonly used methods of determining customer components of distribution facilities are the minimum-system method and the zero-intercept method. Were either of these methods used to determine the customer components of Accounts 364-368 on Exhibit 10, page 7? Provide all workpapers and a detailed explanation of the calculations and determination of the customer and demand components of each of the above accounts.

25. Provide all workpapers and a detailed explanation of the calculation, determination and/or formulation of each of the following items from Gaines' Exhibit 10:

- a. Allocation factors shown on lines 19 and 20, page 8.
- b. Customer weighting factors shown on line 5, page 11.
- c. Items shown on lines 4, 6-9, and 12, page 12.
- d. Items shown on lines 4 and 6-8, page 13.
- e. Allocation factors shown on lines 14 and 19-20, page 14.

26. Using the numbered items (allocation factors) on Exhibit 10, page 14, identify the factor used to allocate each component of each expense item among the customer classes as shown on Exhibit 10, pages 14-25, and the rate base items shown on pages 27-30.

27. Was any attempt made to temperature normalize any of the allocation factors used in the cost-of-service study? If so, identify the normalized factors and provide all workpapers

detailing the temperature normalization methodology used and all adjustments made.

28. Provide all workpapers detailing the calculations of the cost-of-service items shown on lines 483-488 on Exhibit 10, page 26. Explain fully how these costs are incorporated into the charges for the proposed increase shown on Exhibit 9, pages 1-5.

29. Describe the "unique nature" of the services to the special contract customers that complicate the allocation of the costs of these services to the customers as explained on Exhibit 15, page 13. Explain why a methodology has not been developed that would facilitate this allocation.

30. On Exhibit 15, page 16, it is stated that the allocation of the proposed revenue increase among the customer classes is based on the cost-of-service study. Provide all workpapers detailing the methodology and calculations used to allocate the proposed increase based on the cost-of-service study.

31. Provide all workpapers detailing the allocated cost-of-service study not heretofore requested.

32. Describe the \$2,574,007 construction work in progress mentioned in Exhibit 5, page 1.

Done at Frankfort, Kentucky, this 15th day of August, 1988.

PUBLIC SERVICE COMMISSION

ATTEST:

  
For the Commission

\_\_\_\_\_  
Executive Director